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OFFICE OF THE MAYOR

401 BROADWAY, SUITE 203  
GARY, INDIANA 46402-1236

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RUDOLPH CLAY  
MAYOR

PHONE (219) 881-1301  
FAX (219) 881-1337  
[www.gary.in.us/mayor](http://www.gary.in.us/mayor)

16 January 2007

Surface Transportation Board  
395 E Street, SW  
Washington, DC 20433

Dear Surface Transportation Board:

As Mayor, I would like to welcome you to the great City of Gary, Indiana. On behalf of our citizens, I appreciate the opportunity to address the following important issues.

For the past three months, our staff and development team have reviewed, analyzed, and discussed the merits of the Canadian National Railway's proposal for the acquisition of the Elgin, Joliet, & Eastern Railroad and the company's associated Kirk Yard. I would like to thank those individuals who have committed time to this review process. We have evaluated a number of critical issues in terms of how the proposed acquisition can possibly affect our citizens and those of Northwest Indiana.

We have discussed environmental concerns, public safety, proposed train traffic increases, and the impacts these operations would have on our neighborhoods. In addition, our team has likewise discussed in extensive detail the economic impact this acquisition would have on Gary, job creation, property taxes, and existing development plans including the Gary-Chicago International Airport. As the airport is a critical development piece, we stand in unison with and support the position of Congressman Visclosky.

After this extensive analysis, we are prepared to take the following position relative to the Canadian National Railway's proposal:

We welcome continued negotiations with Canadian National Railway. The City looks forward to successful negotiations that ensure the continuity of

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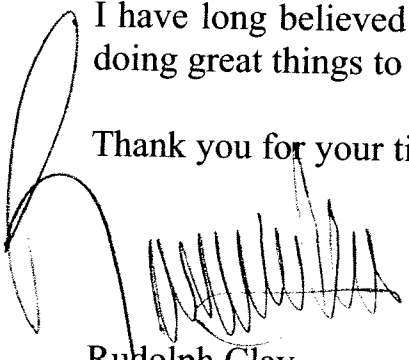
public safety, that protect the environment, and that guarantee that our economic and physical development projects are not adversely affected. These projects include, but are not limited to, the Gary-Chicago International Airport and lakefront development.

At the beginning of the Twentieth Century, Gary, Indiana received national designation as "City of the Century" due to the vision of United States Steel's Board of Directors. As Gary is now recognized as the "Crossroads of America," we believe that the City is in an equally beneficial position of becoming a global transportation leader. We believe in the great potential and the associated financial benefits of our physical and economic development initiatives. These projects, with continued open discussions with the Canadian National Railway, can only benefit from a synergistic partnership with this company, the largest rail company in North America. Gary will again become a world-class city via our developmental initiatives and via probable partnerships as with the Canadian National Railway.

The Canadian National Railway and its staff have shown that they are willing to work with my Administration to find resolution to our outstanding issues. Conditioned upon this resolution, we believe that Canadian National's contributions to the city and the region can be substantial. We recognized that railway transportation is an important piece for the City's future and our desired developmental plans.

I have long believed Gary to be one of the greatest cities in world. We are doing great things to help bring our best days ahead.

Thank you for your time.



Rudolph Clay  
Mayor



## **CANADIAN NATIONAL RAILWAY: AREAS OF ANALYSIS**

The three (3) areas that weighed most on this decision are as follows:

### **Property Tax Relief.**

The most crippling issue that the citizens of Gary and NWI are dealing with today is that of increasing property taxes. In fact, between 2002 and 2003 there was a decrease in industrial property taxes in Lake County of \$109MM and a simultaneous increase that same year to residential property tax payers of \$95MM. This has had a severe impact on the citizens of Lake County, specifically here in Gary. We have been very clear in our conversations with CN on this issue. CN's operational contribution to this very vital area, in addition to their support of our industrial economic development efforts would result in a significant decrease in our county's property tax levy. This is a critical area and next to the Gary / Chicago Airport, is the most important contribution this effort can add to Gary and Lake County.

### **Economic Impact / Business Development**

Equally important to us is the potential impact this transaction can bring to our international and industrial development efforts. We believe the best way to reduce property taxes is to expand the tax base through economic development. Three (3) months ago my administration hosted a delegation representing over 35,000 businesses in China seeking to develop business here in the United States. Via the Congressional Regional Center program we are seeking to develop low-yielding industrial properties into high-value warehousing and distribution facilities. We have identified investors and targeted nearly 300 acres of industrial property for the development of over four (4) million square feet of warehousing and industrial park facilities. These facilities represent over 1,500 jobs and \$50MM in annual employment revenue. CN shares our economic vision of partnership with China and together could mean millions of dollars of investment and thousands of jobs for Gary and the region.

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STATE OF INDIANA     )  
                                  )  
COUNTY OF LAKE     )

**VERIFICATION**

I, J. Justin Murphy, a Notary Public in and for the above-mentioned state and county, hereby declare that on the 30<sup>th</sup> day of January, 2001, The Honorable Robert Pastrick, Mayor of the City of East Chicago, Indiana, The Honorable Duane Dedelow, Mayor of the City of Hammond, Indiana, and The Honorable Robert Bercik, Mayor of the City of Whiting, Indiana, personally appeared before me and executed the foregoing Settlement Agreement between CSX Corporation and the Four Cities Consortium.

I further verify that The Honorable Scott King, Mayor of the City of Gary, Indiana, did also appear before me and execute in my presence the Settlement Agreement between CSX Corporation and the Four Cities Consortium on the 26<sup>th</sup> day of February, 2001.

  
\_\_\_\_\_  
J. JUSTIN MURPHY, Notary Public

My Commission Expires: November 13, 2001

My County of Residence: Lake

**January 10, 2007**

**THE FOUR CITY CONSORTIUM  
QUARTERLY MEETING OF CONSORTIUM MAYORS**

The January 10, 2007 working session meeting was called to order at 2:17 p.m. in the conference room of Mayor Clay.

**ROLL CALL:**

Mayor Rudolph Clay, Mayor Thomas McDermott, Jr., Mayor Joseph M. Stahura.

Others In Attendance: Gary Executive Member Paul Karas; Hammond Executive Member Marty Wielgos; Whiting Executive Member Rudy Wunder; Gary Deputy Mayor Geraldine Tousant; J. Justin Murphy, Chief of Staff; staff member and Gary City Planner Chris Meyers.

Guests: TranSystems Corporation: Marc Walbrun, Robert Nastal, David Hadley and John Reed.

**MINUTES OF MEETING:**

Deferred until next meeting.

**OLD BUSINESS:** Working Session.

The Chairman of Staff advised the Consortium Mayors that the TranSystems representatives had been requested to appear for the meeting to provide a detailed review of the project including a PowerPoint presentation depicting the bridges and track work. He advised the Mayors that following the presentation on the Four Cities freight reroute project, the engineers were prepared to discuss the manner in which rerouting the NS sugar train might be interwoven with the Four Cities freight reroute project. Hard copies of the PowerPoint presentation and cost line chart handouts were distributed to the Mayors.

TranSystems' Vice President Marc Walbrun advised the Mayors that the Gary Airport's efforts to relocate the EJ&E rail line at the end of the runway had until recently reached a "logger head" or stalemate. Marc Walbrun advised the Mayors that after extended negotiations an agreement had finally been reached with the railroads which would allow the rerouting of the EJ&E line to proceed. The manner in which the NS sugar train might be rerouted away from the airport to the sugar plant via a new connection under Hohman Avenue in conjunction with the Porter Branch and the Four Cities work was discussed in detail. Maps depicting the reroute of the sugar train were reviewed by the Mayors and concerns raised by the railroads were discussed.

In discussing the rerouting of the sugar train, the Mayors were advised that the approximate cost of the new connection under Hohman Avenue was \$3.4 million. The agreement provides for the construction of a second main track through Gibson to address CSX Railroad's capacity concerns for \$10.1 million. The sugar train will proceed eastward over the Porter Branch to just west of Madison Avenue in Gary. A new connection will be built from the Porter Branch to the grade separated right-of-way for an approximate cost of \$1.5 million. The bridge and track work at Madison, Adams, Washington, Broadway, and Massachusetts will be completed by the Four Cities. A new connection will be built from the elevated high line to the sugar plant for an estimated cost of \$0.5 million.

Gary Executive Member Paul Karas and Gary Airport Executive Director Chris Curry advised the Consortium Mayors that joining the two projects together in such manner appeared to resolve the stalemate reached. The Gary Airport has budgeted \$2.5 million towards rerouting the sugar train. Marc Walbrun advised the Mayors that the agreement had been executed by the railroads approving and adopting the joint conceptual plan presented to the Mayors. Upon specific question by the Chairman of the Staff, Marc Walbrun advised the Mayors that the agreement executed by the railroads included contractual provisions for additional bridge decks and right-of-way to be completed once funds became available without the necessity of the Four Cities requesting additional permission from the railroads to proceed.

After reviewing the manner in which the NS sugar train might be rerouted away from the airport and the two projects merged together as proposed in the agreement reached between the airport and the railroads, the Mayors directed their attention to the freight reroute. The Mayors reviewed a PowerPoint presentation depicting the bridge inspections performed at Chase Street, Taft Street, the CSXT Fort Wayne flyover, Grant Street, Harrison Street, Madison Street, Broadway Street, Massachusetts Avenue, and Virginia Street. The crossings at Buchanan and Adams were, also, discussed. Following the review of the bridges and crossings, TranSystems recommendations and cost estimates to repair and/or replace the bridges were discussed. It was noted that the cost to replace the Broadway bridge was currently \$4.6 million. The feasibility of obtaining a letter of no prejudice from INDOT was discussed. Due to the proximity of the Broadway and Massachusetts Avenue grade separations, Mayor Clay authorized the closing of the Massachusetts Avenue separation.

Following the presentation and further discussion, Mayor McDermott made a motion to support the joint conceptual plan presented as the Northern Indiana Rail Improvement Project. Seconded by Mayor Clay. No question on the Motion. The vote was called. Motion passed. Yes: Mayor Clay, Mayor McDermott, Mayor Stahura.

Motion made by Mayor Clay authorizing the final engineering work and construction recommended to Madison Street, Adams Street, Washington Street, Broadway Street, and Massachusetts Avenue along with accompanying embankment and track work. Seconded by Mayor McDermott. No question on the Motion. The vote was called. Yes: Mayor Clay, Mayor McDermott, Mayor Stahura. Motion passed.

Motion made by Mayor Stahura approving transfer of the track work CSX is contractually bound to perform on the east end of the project to the west end of the project where the railroads wants to double track between Hohman eastward through Gibson. Seconded by Mayor McDermott. No question on the Motion. The vote was called. Yes: Mayor Stahura, Mayor McDermott, Mayor Clay. Motion passed.

Motion made by Mayor McDermott to seek a letter of no prejudice from INDOT concerning the cost to replace the Broadway Street grade separation. Seconded by Mayor Stahura. No question on the Motion. The vote was called. Yes: Mayor McDermott, Mayor Stahura, Mayor Clay. Motion passed.

Motion made by Mayor McDermott to direct the Chairman of the Staff to work with the coalition formed by the Consortium and the Gary Airport to schedule a meeting with the Regional Development Authority (RDA) to present the joint conceptual plan and seek the approximately \$10 million in additional funding necessary to complete Phase I of the joint conceptual plan. Seconded by Mayor Clay. No question on the motion. The vote was called. Yes: Mayor McDermott, Mayor Clay, Mayor Stahura. Motion passed.

**NEW BUSINESS:** None.

**PUBLIC COMMENT:** None.

**ADJOURNMENT:**

There being no further business to come before the Board, Mayor McDermott made a motion to adjourn the meeting. Seconded by Mayor Stahura. No question on the motion. The vote was called. Yes: Mayor McDermott, Mayor Stahura, Mayor Clay. Motion passed.

Meeting adjourned.

Approved and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Honorable Rudolph Clay

\_\_\_\_\_  
Honorable Joseph Stahura

\_\_\_\_\_  
Honorable Thomas McDermott, Jr.

\_\_\_\_\_  
Honorable George Pabey

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6/16/08

Please Keep  
these documents  
together.

**Finance Docket No. 33388  
Settlement Agreement Between  
the Four City Consortium and CSX Transportatio**

The following is a Settlement Agreement between the Cities of East Chicago, Hammond, Gary, and Whiting, Indiana (the "Four City Consortium") and CSX Transportation, Inc. ("CSX"). It is understood that by ratifying this proposal, the parties' remaining differences over the terms and conditions of CSX operations will be resolved and the Four City Consortium will not undertake a judicial appeal of Finance Docket No. 33388. The Agreement would not, however, limit the Four City Consortium's right to petition the Board for relief during the imposed five (5) year oversight period governing the proceeding should it determine such action is necessary based upon events occurring after the execution of the Agreement.

Promptly upon execution of this Agreement, the parties will notify the Surface Transportation Board of the Settlement; the parties will provide it with a copy of this Agreement; and, the parties will request that the Board adopt its terms as a condition under its Decision approving the Conrail application.

**Preamble:** In the Surface Transportation Board Finance Docket 33388, Decision 89, Condition 21, the Board ordered the following mitigation measures among others to be undertaken by CSX to alleviate Acquisition-related highway/rail at-grade crossing traffic delay and safety concerns in East Chicago, Hammond, Gary, and Whiting, Indiana through operational improvements and safety measures as follows:

- a) CSX shall upgrade the highway/rail at-grade crossing signal warning systems with constant warning time circuits to reduce crossing blockage time and the likelihood of motorists driving around the gate at the highway/rail at-grade crossings listed below on the Pine Junction to Barr Yard rail line segment and the Tolleston to Clark Junction rail line segment.

- Sheffield Avenue
- Hohman Avenue
- Calumet Avenue
- Columbia Avenue
- Indianapolis Boulevard
- Railroad Avenue
- Kennedy Avenue
- 5<sup>th</sup> Avenue (U.S. 20)

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Gary Conrail Box  
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- b) CSX shall make Operation Lifesaver programs available to schools and other community organizations in the vicinity of the Pine Junction to Barr Yard rail line segment, Tolleston to Clark Junction rail line segment, and the Tolleston to Hobart portion of the Warsaw to Tolleston rail line segment.
- c) CSX shall upgrade the track structure and signal systems to allow 40 mph train operations, consistent with safe operating practices, between Pine Junction and Barr Yard.
- d) CSX shall install temporary notification signs or message boards consistent with Condition No. 1(B) at least 30 days before initiating new train traffic between the Tolleston and Clark Junction rail line segment and the Hobart to Tolleston portion of the Warsaw to Tolleston rail line segment. CSX shall certify to the Board that it has complied with this condition before increasing traffic on these rail line segments.
- e) CSX shall improve coordination between Pine Junction and Barr Yard at Indiana Harbor Belt Railroad interlockings where CSX rail lines cross or join, to reduce railroad congestion and blockage at highway/rail at-grade crossings to the extent practicable.
- f) CSX shall reroute train traffic as much as practicable from the Pine Junction to Barr Yard rail line segment to other rail lines in the area.
- g) CSX shall instruct its train crews not to stop trains in positions where they would block major highway/rail at-grade crossings identified by the Four City Consortium on the Pine Junction to Barr Yard rail line segment whenever practicable and consistent with safe operating practices.
- h) CSX shall work with the Four City Consortium to better coordinate train movements and emergency response. If practicable, CSX shall install a train location system by interconnecting the grade crossing warning devices to nearby traffic signals and provide a display in the local emergency response center showing the position of the grade crossing warning signals.
- i) Applicants shall attend regularly scheduled meetings with representatives of the Four City Consortium for 3 years following the effective date of the Board's final decision. Representatives of the

Indiana Harbor Belt Railroad shall also be invited. These meetings would provide a forum for assessing traffic delay, emergency response, and driver compliance with railway grade crossing warning systems through improved education and enforcement.

- I. **STB Ordered Mitigation.** The parties agree to abide by all requirements outlined in the Surface Transportation Finance Docket 33388, Decision 89, as clarified in Decision 96, except to the extent that CSX and the Four City Consortium agree to modify the requirements.
- II. **The Former Pennsylvania Railroad ("PRR") line between Hobart and Clarke Junction.**
  - A. CSX Railroad Safety Fund for Gary. CSX agrees to dedicate \$50,000 in a Railroad Safety Fund to be used for safety upgrades on the former Pennsylvania Railroad line between Hobart and Clarke Junction. The fund could be used for crossing protection upgrades, median barriers, rubberized crossings, or other safety related activities. The City of Gary shall determine how the money is spent although the funds will stay at CSX and any work will be done either by CSX or contractors working for CSX. Any upgrades relating to types of at grade warning protection devices need to first be approved by the Indiana Department of Transportation. All projects must be consistent with generally approved railroad operating practices and federal and state regulations.
- III. **The Baltimore, Ohio, and Chicago Terminal Railroad ("BOCT") line between Pine Junction and Calumet Park.**
  - A. CSX Railroad Safety Fund for East Chicago. CSX agrees to dedicate \$50,000 in a Railroad Safety Fund to be used for safety upgrades on the Baltimore, Ohio and Chicago Terminal Railroad line between Pine Junction and Calumet Park. The fund could be used for crossing protection upgrades, median barriers, rubberized crossings, or other safety related activities. The City of East Chicago shall determine how the money is spent although the funds will stay at CSX and any work will be done either by CSX or contractors working for CSX. Any upgrades relating to the types of at-grade warning protection devices need to first be approved by the Indiana Department of Transportation. All projects must be consistent with generally approved railroad operating practices and federal and state

regulations.

- B. Hammond At-Grade Crossings. To the extent practicable and consistent with safe operating practices, CSX will ensure that its trains are operated in a fashion such that the following existing at-grade highway/rail crossings on the line are not blocked by stopped trains.

- Sheffield Avenue;
- Hohman Avenue;
- Calumet Avenue; and
- Columbia Avenue.

- C. Average Daily Number of Trains

1. The CSX revised operating plan states that approximately 31.7 trains are expected to move over the BOCT line on a daily average. The parties understand that Condition 50 of the Surface Transportation Board's Decision 89, gives the parties the ability to petition the Board for relief for five years from the Board's final decision if there is a material change in the facts or circumstances (including the average daily number of trains if the Board determines that there is a material increase) upon which the Board relied in making its decision.
2. CSX agrees to cooperate with the Four City Consortium to reroute train traffic as much as practicable from the Pine Junction to Barr Yard line to the IHB line or other rail lines in the area. This shall include working with the IHB and other entities to secure necessary public funding for the cost of rehabilitating and upgrading the IHB elevated line and appropriate connections for use in the movement of through trains between Willow Creek and Calumet Park.

- D. Railroad Avenue Easement. CSX will cooperate with the City of East Chicago in developing a grade-separated truck route over the line at Railroad Avenue, including conveying to the City an appropriate easement and a monetary contribution toward the project in the amount of seven and one-half percent (7.5%) of total project costs to facilitate construction of the grade separation. The total contribution from CSX will not exceed \$187,500. In consideration of this monetary contribution, the rail crossing at Railroad Avenue will be closed upon completion of the grade separation project. CSX will

consider a higher percentage contribution in exchange for additional grade crossing closures in the City.

**IV. Whiting Park.** To the extent practicable and consistent with safe operating practices, CSX will ensure that its trains are operated in a fashion such that the existing at-grade highway/rail crossings at the entrance and exit to Whiting Park at 117th Street and White Oak Avenue and 119th Street and Front Avenue are not blocked simultaneously by stopped trains.

**V. Review of Gary At-Grade Crossings.** CSX will cooperate with the City of Gary and provide reasonable and appropriate expertise and assistance in conducting a city-wide review of all CSX highway/rail at-grade crossings. This review will determine whether operational and/or structural improvements/closings are necessary to help promote highway safety and provide for the orderly, predictable, and safe movement of all vehicular, rail, and pedestrian traffic.

**VI. Monthly Reports.**

A. As specified in Finance Docket No. 33388, CSX shall provide the Four City Consortium with reports on a monthly basis providing the information described by the Board in Decision No. 96 pertaining to condition 21(i). However, the parties have mutually agreed to not have CSX report average train speeds and have also agreed to limit the reporting requirements on train traffic volumes to the following information:

Throughout the Board's five (5) year oversight period in Finance Docket No. 33388, CSX shall report, on a daily average basis (calculated monthly), the number of trains per day operated in both (and separately in each) direction over the following rail line segments:


- The Pine Junction-to-State Line Tower portion of the Pine Junction-to-Barr Yard line segment (C-023);
- Tolleston-to-Clarke Junction rail line (C-024); And
- The Tolleston-to-Hobart portion of the Warsaw-to-Tolleston line segment (C-026).

B. The parties understand that the Board's condition 21(i) provides for different conditions than those agreed to in section VI (A) of this

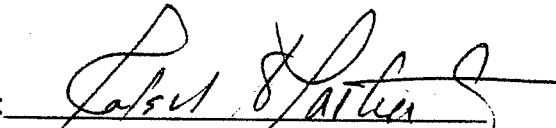
agreement. As part of this settlement agreement, the parties will advise the Board of their acceptance of this modified reporting format in lieu of that provided in Decision No. 96. The parties Agreement does not affect reporting requirements imposed on Norfolk Southern Railroad under condition 21(i).

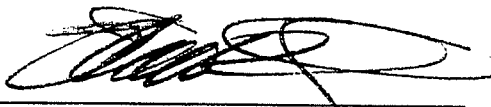
In witness whereof, the parties have caused this agreement to be executed by their duly authorized representatives on this date, October 26, 1998.


**CSX Transportation**

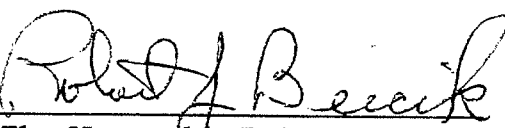
By:   
John W. Snow  
Chairman, CEO, and President, CSX Corporation

**The Four Cities Consortium**

By:   
The Honorable Robert Pastrek  
Mayor, City of East Chicago, Indiana

By:   
The Honorable Scott King  
Mayor, City of Gary, Indiana

By:   
The Honorable Duane Bedelow  
Mayor, City of Hammond, Indiana

By:   
The Honorable Robert Bercik  
Mayor, City of Whiting, Indiana

**CERTIFICATION OF CLERK**

As legal custodian I hereby certify that the above and foregoing is a true and complete copy of the original on file with this office in the cause stated thereon.

Witness my hand and the seal of the court this  
28 day of October, 1998.

Clerk of the Lake Circuit and Superior Courts

By:   
Deputy Clerk

STATE OF INDIANA     )  
                                      )  
COUNTY OF LAKE     )

**VERIFICATION**

I, J. Justin Murphy, a Notary Public in and for the above-mentioned state and county, hereby declare that on the 26<sup>th</sup> day of October, 1998, John W. Snow, Chairman, CEO, and President of CSX Corporation, The Honorable Robert Pastrick, Mayor of the City of East Chicago, Indiana, The Honorable Scott King, Mayor of the City of Gary, Indiana, and The Honorable Robert Bercik, Mayor of the City of Whiting, Indiana, personally appeared before me and executed the foregoing Settlement Agreement between CSX Corporation and the Four Cities Consortium.

I further verify that The Honorable Duane Dedelow, Mayor of the City of Hammond, Indiana, did also appear before me and execute in my presence the Settlement Agreement between CSX Corporation and the Four Cities Consortium on the 28<sup>th</sup> day of October, 1998.

  
\_\_\_\_\_  
J. JUSTIN MURPHY, Notary Public

My Commission Expires: November 13, 2001

My County of Residence: Lake

**Settlement Agreement Between  
the Four City Consortium and CSX Transportation, Inc.**

The following is a Settlement Agreement between the Cities of East Chicago, Hammond, Gary, and Whiting, Indiana (the "Four City Consortium" or "Consortium") and CSX Transportation, Inc. ("CSX"), collectively referred to herein as the "Parties".

The purpose of this Settlement Agreement is to address certain outstanding operational and environmental impact issues resulting from CSX's operations in the Four Cities' area, facilitate the upgrading of certain area rail lines to promote the maximum use of grade separated rail corridors, provide for additional investment for a grade crossing separation project in East Chicago, facilitate the purchase and transfer of certain CSX property to the City of Hammond, and address certain traffic violation citations issued by the Cities for railroad blockages of area at-grade highway/rail crossings.

This Settlement Agreement supplements environmental conditions impacting the Four City Consortium imposed by the Surface Transportation Board ("STB" or "Board") in Finance Docket No. 33388 in CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company -- Control and Operating Leases/Agreements -- Conrail Inc. and Consolidated Rail Corporation, (Decision No. 89 served July 23, 1998), as modified by the Board in Decision No. 114 (served Feb. 5, 1999) adopting the October 26, 1998 Settlement Agreement between the Consortium and CSX. The parties agree to abide by all requirements outlined in Decision Nos. 89 and 114, except to the extent that they have or may agree to modify the requirements of those decisions. It is understood that by entering into this Agreement, the Four City Consortium does not waive its right to petition the Board for relief during the oversight period governing the proceeding, or its right to petition for reopening thereafter, should the Consortium determine that such action is necessary.

Promptly upon execution of this Agreement, the parties will notify the STB of the Settlement. The parties will provide the STB with a copy of this Agreement and will request that the Board adopt its terms as a condition to its approval of the Conrail control transaction.

**I. IHB Corridor Improvements and Operations**

The Parties recognize that mutual benefits can be derived from routing CSX trains from the Baltimore & Ohio Chicago Terminal Railroad Company ("BOCT") line to the parallel grade-separated route consisting of the CSX Porter Branch and the Indiana Harbor Belt ("IHB") via Toleston, IN and Calumet Park, IL. The Four Cities would benefit from reduced train traffic on the BOCT line and resulting safety and environmental improvements. CSX benefits from enhanced operating flexibility in the region. Both parties recognize that the enhanced capacity on the Porter Branch/IHB line would give CSX an increased opportunity to route even more trains over the line. The parties also recognize that other railroads operate trains over the IHB line and capacity can be impacted by the total number of trains operating over the line at any given time.

To these ends, the Parties agree as follows:

- A. CSX shall reroute trains from the BOCT line to the Porter Branch/IHB line consistent with sound economic and operating practices, as outlined below. This rerouting of trains shall occur as soon as practicable. The parties initial objective is for CSX to reroute a minimum of five (5) trains per day on a average daily basis over the Porter Branch/IHB line following the completion of double tracking of the Porter Branch between Lake Station and Virginia Street. The parties longer term objective is that additional trains above and beyond the five trains could also be rerouted by CSX to the extent economically and operationally feasible as further capital improvements are made to the Porter Branch and IHB line.
- B. The Parties recognize that to achieve optimal use of the Porter Branch/IHB line will require (i) certain necessary capital improvements to be made to the Porter Branch/IHB line including the double tracking of the Lake Station-Virginia Street segment of the Porter Branch which CSX is currently planning on constructing, and (ii) certain cooperative agreement(s) with IHB with respect to CSX's use of its facilities. CSX shall use reasonable discretion to undertake and complete any necessary operational and infrastructure improvements to CSX lines and any necessary trackage arrangements with IHB to meet the requirements and objectives of I.A. as economically and operationally practicable.
- C. CSX shall report to the Consortium in writing on a quarterly basis the specific actions it has and is taking to comply with I.A., at least until such time as CSX has completed all improvements/agreements necessary for complete compliance with the requirements and objectives of I.A.
- D. CSX and the Consortium will cooperate in seeking from state and federal sources all available public funding for any additional capital investments that may be necessary to achieve the rerouting of the maximum amount of rail traffic possible from the BOCT line to the Porter Branch and the IHB line. CSX and the Consortium will also cooperate and provide reasonable and appropriate expertise and assistance in conducting a review of the appropriate corridors to determine and implement any additional operational and/or structural improvements that may be necessary to improve traffic flow and further mitigate the safety and environmental impacts of CSX's operations in the Four Cities.
- E. The parties recognize that CSX is only a 25.5% owner of the IHB line, and that higher usage could result in higher payments to the other owners of the line. Therefore, the parties recognize that economic consequences of the higher usage will be one factor that CSX can consider in determining the number of trains to operate

over the line. The present intention of CSX, however, is that additional number of trains can operate over the IHB line and still provide a mutual benefit to both parties.

## II. Railroad Avenue Grade Separation Project

CSX will continue its cooperation with the City of East Chicago in constructing a grade-separated truck route over the BOCT line at Railroad Avenue. CSX will contribute by 2002 an additional \$812,500 toward construction costs, above and beyond the \$187,500 already committed to the project, for a total of \$1 million toward project costs so long as the project has been approved and otherwise funded by the appropriate governmental authorities. The at-grade highway/rail crossing at Railroad Avenue will be closed upon completion of the grade separation project. In addition, the City of East Chicago shall earnestly consider the permanent closure of Todd Avenue following completion of the Railroad Avenue grade separation.

## III. Monon Yard Sale

The parties agree to enter into a mutually agreeable process for the conveyance of the Monon Yard, a 40-acre tract of land in Hammond owned by CSX, to the City of Hammond. That process shall entail the following:

- A. The parties shall promptly establish an approach/ mechanism whereby the fair market value of the Monon Yard may be determined, through independent appraisal or otherwise.
- B. Once an appropriate valuation of the Monon Yard is made, the parties agree to negotiate in good faith toward mutually agreeable terms (price and other terms) for the conveyance of the Monon Yard from CSX to the City of Hammond and the parties agree to obtain promptly any appropriate judicial or other approval necessary to effectuate the conveyance of the property.

## IV. Whiting Access Road

CSX will continue to cooperate and assist the City of Whiting with efforts to construct a public access road behind the Globe Roofing Materials building that will benefit the City by diverting truck traffic away from residential neighborhoods.

## V. Citations for Blocked Crossings

- A. Each of the Four Cities agrees that it will immediately dismiss any and all pending citations issued to CSX trains for blocking at-grade highway/rail crossings. CSX and each of the Four Cities shall file any and all necessary joint stipulations or other motions with the appropriate courts to secure appropriate orders of dismissal, without costs assessed against CSX, for any and all pending citations issued to CSX trains. For the purposes of this agreement, "pending citations" includes all citations

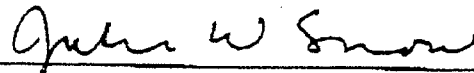
issued to CSX trains, or issued to other railroads when they should have been issued to CSX, including citations issued under the state statute, for blocking at-grade highway/rail crossings when the blocking occurred on any date on or before the date of this agreement.

- B. Each party shall be responsible for its own costs and attorney's fees relating to the pending citations issued to CSX trains.
- C. CSX agrees to cooperate with the Consortium in developing methods of operation and appropriate infrastructure improvements as necessary to help promote highway safety and provide for the orderly, predictable, and safe movement of all vehicular, rail, and pedestrian traffic, especially at those at-grade highway/rail crossings identified by the Consortium as problematic from a safety and environmental perspective. Such actions might entail, but are not limited to, policies requiring trains that must stop to be stopped short of critical crossings, separating trains at critical crossings, rerouting trains, and/or consolidating area rail lines to the extent safe and practicable.
- V. The parties recognize and agree that, by entering into this agreement, (1) CSX does not waive or abandon any arguments in existing or future proceedings, disputes, cases, litigation, or otherwise, based on facts that are known or unknown, that local or state laws are unconstitutional as preempted by federal law or violate the Commerce Clause, and (2) the members of the consortium do not waive any rights to enforce any local or state laws and to defend their constitutionality.
- VI. The terms and conditions of this settlement agreement shall be in effect through the duration of the STB oversight process in Finance Docket 33388, unless otherwise agreed upon by the parties.

In witness whereof, the parties have caused this agreement to be executed by their duly authorized representatives on this date, Jan 31, 2000.

**CSX Transportation**

By:

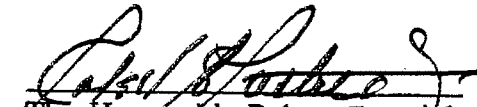


John W. Snow


Chairman, CEO, and President, CSX Corporation

**The Four Cities Consortium**


By:

  
The Honorable Robert Pastrick  
Mayor, City of East Chicago

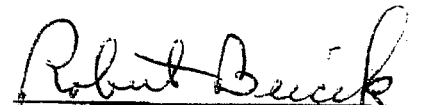
By:

  
The Honorable Scott King  
Mayor, City of Gary

By:


  
The Honorable Duane Dedelow  
Mayor, City of Hammond


By:

  
The Honorable Robert Bercik  
Mayor, City of Whiting**CERTIFICATION OF CLERK**

As legal custodian I hereby certify that the above and foregoing is a true and complete copy of the original on file with this office in the cause stated hereon.

Witness my hand and the seal of the court this  
27th day of February, 2001.

  
Clerk of the Lake Circuit and Superior Courts

By:   
Deputy Clerk